

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1545 - SB 2548**

February 1, 2016

**SUMMARY OF BILL:** Enhances TennCare fraud under Tenn. Code Ann. § 71-5-2604(a)(1) from a Class E felony to a Class D felony.

Establishes fines for first and subsequent TennCare fraud offenses under Tenn. Code Ann. § 71-5-2601(a)(1).

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$63,100/Incarceration\***

**Funding for this bill in the amount of \$63,100 is included in the Governor's Recommended Budget Document for FY16-17 (Pages A-40 and B-202).**

Assumptions:

- According to the Department of Correction (DOC), the Office of the Inspector General indicates that 37 individuals over the last three fiscal years have been ordered to serve a sentence with DOC for TennCare fraud. Eleven of those were ordered to serve a sentence solely for TennCare fraud, but a majority of the offenses were coupled with other offenses such as probation violations or offenses unrelated to TennCare fraud.
- It is assumed that four offenders per year will have their sentence enhanced from a Class E felony to a Class D felony.
- According to the U.S. Census Bureau, population growth in Tennessee has been 1.12 percent per year for the past 10 years, yielding a projected compound population growth of 11.78 percent over the next 10 years. Population growth will not affect the fiscal impact of this legislation.
- The average time served for a Class E felony is 1.47 years, and the average time served for a Class D felony is 2.32 years. The bill will result in each offender serving an additional 0.85 years (310.46 days).
- According to the DOC, 33.3 percent of offenders will re-offend within one year of their release. A recidivism discount of 33.3 percent has been applied to this estimate to account for the impact of offenders who would re-offend under current law within the additional time added by this bill. It is assumed that the re-offender would have committed the subsequent offense at the same felony level as under current law (4 offenders x .333 = 1.33 offenders).
- According to the DOC, the average operating cost per offender per day for calendar year

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2016 is \$67.73.

- The maximum cost in the tenth year, as required by Tenn. Code Ann. § 9-4-210, is based on three offenders [4 offenders – 1 (recidivism discount)] serving an additional 0.85 years (310.46 days) for a total of \$21,027.46 (\$67.73 x 310.46 days). The cost for three offenders is \$63,082.38 (\$21,027.46 x 3).
- The Governor's proposed FY16-17 budget includes expenditures of \$63,100 to the DOC on pages A-40 and B-202.
- The bill does not create a new offense, but only enhances the classification. It is assumed that any impact on the courts, district attorneys, and public defenders can be handled within their existing resources.
- The Administrative Office of the Courts confirms that any impact on the courts can be handled within their existing resources.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/trm